

# **Governor Daniels' Property Tax Plan: Fair, Far-Reaching and Final Property Tax Relief for Hoosier Homeowners**

## **Plan Summary**

### **Property Tax Relief**

- Permanent limits on property taxes
  - Cap homeowner property taxes at 1% of assessed value
  - Cap residential rental property taxes at 2% of assessed value
  - Cap business property taxes at 3% of assessed value
  - Assess agricultural land according to current formula
  - Seek constitutional amendment to ensure these caps are permanent
- In 2008, \$700 million in new homeowner property tax relief, plus \$250 million from earmarked horse track license fees, provided through an expanded homestead credit. Every Hoosier homeowner will pay less property tax. New relief funded by partial year revenue from one penny increase in state sales tax
- In 2009, approx. \$1 billion in new homeowner property tax relief provided by:
  - State assumption of local costs currently paid by local taxpayers (see below)
  - Expanded homestead deduction (35% of a home's assessed value after standard deduction is taken)
  - 1% cap on homeowner property taxes
- The average homeowner will get an overall property tax cut of about one-third from the Governor's plan. However, the exact size of homeowner property tax reductions will vary considerably across the state, depending on local circumstances.
- The Governor's plan would give Indiana 9<sup>th</sup> lowest homeowner property tax burden in U.S.
- Permanent property tax relief provided by state assumption of costs currently paid by local taxpayers:
  - Balance of K-12 school operating fund (\$2.159 billion)\*
  - K-12 Transportation Fund (\$495 million)\*
  - Care for abused, neglected and delinquent children (\$474 million)\*
  - State Fair and Forestry (\$8 million)\*
  - State will increase school "Rainy Day Fund" by \$50 million to protect against revenue fluctuations

\* *Estimates are for calendar year 2009*

### **Property Tax Relief (cont.)**

- Permanent property tax relief funded by:
  - One penny increase in state sales tax (\$928 million)\*
  - Wagering taxes on new slot machines at horse tracks (\$100 million)\*
  - Redeploying state PTRC subsidies to local government (\$2.028 billion)\*
  - Prudent amount of revenue from state surplus (\$80 million)\*
  - Use state combined balance to increase “Rainy Day Fund” (\$50 million)\*

### **Limit Future Increases in Local Spending**

- The Tax Board in each county must review and approve spending plans of all taxing units
- Total local spending cannot grow faster than a county’s average personal income growth over a six-year period, unless approved by taxpayers in a referendum
- All significant local construction projects must be approved by public referenda

### **Fix Indiana’s Broken System for Assessing Property**

- Responsibility for property tax assessment will be removed from the political process; elected assessors will be replaced by a single professional assessor in each county appointed by the county council

\* *Estimates are for calendar year 2009*